



State of Washington
Self-Insurance Liability Program (SILP)

Questions and Answers On Coverage, Claims, and Premium

COVERAGE AND CLAIMS	
QUESTION	ANSWER
Q1. WHAT DOES THE SELF-INSURANCE LIABILITY PROGRAM (SILP) COVER?	<p>It covers:</p> <ul style="list-style-type: none">▪ Payment for liability of <i>alleged</i> injuries or property damage caused by the State of Washington (referred to as a tort claim). Tort liability claims are either “auto” or “general” liability.▪ Defense costs of the Attorney General’s Office▪ Excess liability insurance
Q2. ARE COMMERCIAL INSURANCE COSTS INCLUDED IN THE SELF-INSURANCE LIABILITY PREMIUM?	<p>YES. The liability premium includes the cost of excess insurance—in other words, the insurance purchased above the state’s self-insurance retention level. However, losses that are covered under separate commercial insurance policies, such as aviation, are handled under the terms of the policies purchased or coordinated through the RMD Risk Finance program. The budget document does not require agencies to address costs associated with commercial policies separate from the SILP.</p>

COVERAGE AND CLAIMS

QUESTION	ANSWER
<p>Q3. DOES THE SILP AUTO COVERAGE INCLUDE PAYMENT FOR DAMAGE OR REPLACEMENT OF STATE-OWNED VEHICLES INVOLVED IN AUTO ACCIDENTS?</p>	<p><u>NO.</u> The SILP covers only liability costs associated with an accident that involves another driver.</p> <ul style="list-style-type: none"> a. <u>State Vehicle Driver Causes the Accident</u> - SILP covers property damage or injuries sustained by the other driver/passengers. Repair or replacement cost for damage to the state-owned vehicle involved in the accident is the responsibility of the driver's agency. <i>Note: State employee driver/passenger injuries are covered under the L&I workers' compensation program.</i> b. <u>Other Driver Causes the Accident</u> - RMD will attempt recovery for damages on behalf of the agency when a state-owned vehicle sustains damage caused by the other driver. The state driver/L&I may attempt recovery for personal injuries through workers' compensation. c. <u>Non-Collision Damage to State Vehicles</u> – Repair or replacement costs for damage to state-owned vehicles is the responsibility of the driver's agency.
<p>Q4. DOES THE SILP COVER CLAIMS FILED BY STATE EMPLOYEES FOR EMPLOYMENT-RELATED ACTIONS?</p>	<p><u>YES.</u> Types of claims that may occur in this category include discrimination, sexual harassment, unlawful termination, etc.</p>
<p>Q5. IS ATTORNEY GENERAL DEFENSE COSTS A PART OF THE TOTAL CLAIM COST?</p>	<p><u>YES.</u> Previously agencies paid the defense costs directly to the AGO. In 2002, RMD began paying defense costs to the AGO. When this occurred, defense costs became a component of the total claim cost. Indemnity is the other component of the total claim cost. See below for explanation.</p>
<p>Q6. WHAT DOES INDEMNITY MEAN AND WHAT IS INCLUDED IN THAT PAYMENT?</p>	<p>Indemnity includes payment for all costs associated with the claim <i>except</i> defense. Indemnity payments, along with defense payments, comprise the total claim cost. <i>Note: Some claim payouts may involve payments for defense and no payments for indemnity.</i></p>

PREMIUMS

<i>QUESTION</i>		<i>ANSWER</i>
Q7.	THE STATEWIDE PREMIUM LEVEL FOR THE SILP IS STAYING THE SAME, BUT THE CHARGES FOR EACH AGENCY HAVE CHANGED-- WHY?	Individual agency claims "experience" (i.e., claims that are filed against that agency) is now more significant in the formula for computing agency premium than in the past. In addition, a minimum premium of \$1,000 per year is being assessed for small agencies or agencies with no loss.
Q8.	DOES THAT MEAN THE LOSSES OR CLAIMS AGENCIES INCUR HAVE A MORE DIRECT IMPACT ON THE PREMIUM THEY WILL PAY FOR THE SILP?	YES. By reducing or minimizing the number of losses and the dollar payouts, agencies can achieve better claims "experience". This scenario ultimately lowers premiums.
Q9.	WHAT COSTS DETERMINE AGENCY "EXPERIENCE"	<ul style="list-style-type: none"> a. Indemnity (all payments made on behalf of the claim) b. Attorney General defense costs
Q10.	HOW IS THE AGENCY'S LOSS "EXPERIENCE" CALCULATED?	The actuary calculates the liability premium after performing a review of the state's claims history for the past five years . Each agency's premium is a percent of the total--similar to their share of the state's claims experience. Past claims experience is used by the actuary for projections of future claims experience. In theory, the pluses and minuses balance out over a ten-year period. This is the nature of any insurance program.
Q11.	WHAT IS THE CLAIMS "EXPERIENCE" PERIOD USED FOR THE 2005-07 PREMIUMS?	Claims include "everything in the door" by 12/31/03. This includes claims outside of the 5-year period, but for which payments were made during that period. The actuary uses the outstanding estimated liability projections, the estimated claims payments for 2005-07, and the 12/31/03 report from the RMD claims database in determination of agencies' premium.

PREMIUMS

QUESTION	ANSWER
Q12. WHAT ARE RESERVES AND HOW DOES THAT IMPACT THE CLAIM?	<p>A financially sound self-insurance program (or any insurance program) requires that an estimate of potential future costs be established for every new claim that “comes in the door”. The total cost of the claim is not known immediately, so these future payments are accounted for actuarially as long as the claim remains open, regardless of when final payment is made. When the claim is closed, reserved amounts are replaced with actual payout costs.</p>
Q13. WHAT IS THE FORMULA USED TO DETERMINE AN AGENCY’S EXPERIENCE?	<p>Three elements make up the basis for the estimated actuarial projections.</p> <ul style="list-style-type: none"> (1) Claim payments by agency from the 12/31/03 data. (2) Open claim reserves as of 12/31/03. (3) Projection of “incurred but not reported” (IBNR) claims. <u>Note:</u> The IBNR is not identified by separate agencies, but rather considered in whole for the SILP. For the state as a whole, the IBNR is 60% of the SILP total liabilities.
Q14. WHY IS THIS THE FORMULA USED TO CALCULATE AGENCIES’ PREMIUM?	<p>The allocation formula being used for the 2005-07 budget is new and was developed over the past year with the assistance of RMD’s advisory agencies. The formula <i>places more emphasis on claims experience</i>. As a result of the new formula, the premium actually went down for over 60% of the agencies. Agencies with no claims saw their premium reduce to a minimum of \$1,000.</p>
Q15. OUR AGENCY PREMIUM ALMOST EQUALS THE COST OF OUR CLAIMS. IT DOESN’T APPEAR WE ARE GETTING ANY BREAKS OR BENEFITS FROM PAYING PREMIUM.	<p>Like any insurance plan, you are paying premium to protect against catastrophic loss. Should your agency suffer a catastrophic loss, it is shared by all agencies in the program. Your agency will assimilate the cost of a large loss over time through the experience process, rather than “direct pay”, which would result without the SLIP. Again, this is “insurance” —for which the SLIP will pay claims for your agency up to \$12.5 million.</p>

PREMIUMS

<i>QUESTION</i>		<i>ANSWER</i>
Q16.	IF OUR AGENCY IMPLEMENTS "LOSS PREVENTION" STRATEGIES AND HAS NO CLAIMS FOR A 5-YEAR PERIOD, COULD WE DRASTICALLY REDUCE PREMIUMS?	Reducing claims and resulting losses definitely places an agency in a position to reduce premium costs, which is one of many positive impacts of implementing risk mitigation strategies.